WHAT IS MARKETING?

Marketing is defined as the process of determining the needs and wants of consumers and being able to deliver products that satisfy those needs and wants. Marketing includes all of the activities necessary to move a product from the producer to the consumer. *Think of marketing as a bridge from the producer to the consumer.*

Marketing starts with market research, a learning process in which marketers get to know everything they can about the needs and wants of consumers, and it ends when somebody buys something. Many companies feel that services provided to customers after the purchase also are an important part of marketing. All of these enterprises -- production, advertising, transportation, processing, packaging, and selling -- are included in the marketing process.

THE NINE FUNCTIONS OF MARKETING

In order for the marketing bridge to work correctly -- providing consumers with opportunities to purchase the products and services they need -- the marketing process must accomplish nine important functions.

The functions are:

**Buying** - people have the opportunity to buy products that they want.

**Selling** - producers function within a free market to sell products to consumers.

**Financing** - banks and other financial institutions provide money for the production and marketing of products.

**Storage** - products must be stored and protected until they are needed. This function is especially important for perishable products such as fruits and vegetables.

**Transportation** - products must be physically relocated to the locations where consumers can buy them. This is a very important function. Transportation includes rail road, ship, airplane, truck, and telecommunications for non-tangible products such as market information.

**Processing** - processing involves turning a raw product, like wheat, into something the consumer can use -- for example, bread.
Risk-Taking - insurance companies provide coverage to protect producers and marketers from loss due to fire, theft, or natural disasters.

Market Information - information from around the world about market conditions, weather, price movements, and political changes, can affect the marketing process. Market information is provided by all forms of telecommunication, such as television, the internet, and phone.

Grading and Standardizing - Many products are graded in order to conform to previously determined standards of quality. For example, when you purchase US No. 1 Potatoes, you know you are buying the best potatoes on the market.

THE FOUR UTILITIES OF MARKETING

The marketing process must also add "utility" to the products consumers want. Utility is the use or satisfaction a person gets from a product. If you purchase a chain saw you anticipate that you will receive a certain amount of utility from it. You will be able to use the saw to cut firewood, prune trees, and take care of a variety of jobs around your home. There are four types of utility.

Form Utility - a product must be processed into a form that the customer wants or needs. For example, wheat is processed into bread, trees are processed into lumber, and potatoes are processed into french fries. If you ordered french fries with your lunch and the waiter brought you a raw potato, you probably wouldn't be too happy.

Fig. 1.1 - An example of Form Utility.
**Place Utility** - place utility involves transporting products to the location where consumers can buy them. If you live in Alaska, you certainly wouldn't want to have to drive to California to buy oranges. Thanks to our modern transportation systems you don't have to; you simply drive to the local grocery store and oranges are there ready to add to your shopping cart -- place utility.

![Fig. 1.2 - Trucking is one form of transportation that helps add Place Utility to products.](image)

**Possession Utility** - possession utility establishes legal ownership of a product. When you purchase something you normally receive a receipt; this provides legal ownership and the right to use the product. Some products, computer software, for example, also provide a user license. A license of this kind gives you the right to use the product within certain guidelines.

![Fig. 1.3 - Stock certificates are proof of ownership. Stocks prove that you own part of a company. This is an example of Possession Utility.](image)
**Time Utility** - this could be described as being in the right place at the right time when a customer is ready to purchase a product. Creating and keeping customers means having products available for when they want them, and often this requires some type of storage facility. Wheat is one example of a commodity that must be stored after it is harvested. It is stored in silos until processors are ready to convert it into food products such as bread or cereals.

![Fig. 1.4](image)

A silo is used to store grain products like wheat. This allows the product to be used by people when they need it; an example of *Time Utility*. 
WHAT IS MARKETING?

Think of a product with which you are familiar and answer the following questions.

1. **Product Name:**
2. **Product Use:**
3. **Describe the typical consumers of the product:**
4. **What raw materials are used to make this product?**
5. **How is the product processed?**
6. **How is the product transported?**
7. **Where is it sold?**
8. **How is the product promoted and advertised?**
9. **How much does the product cost?**
10. Each item above is part of the marketing process. Many other activities are considered to be part of marketing.

   **How many you can list?**
WHAT IS MARKETING?

☑ CHECK YOUR UNDERSTANDING

1. Write a complete definition of marketing.

2. Explain why marketing may be thought of as a bridge from producer to consumer.

3. List the nine functions of marketing.

4. List each of the four utilities of marketing. Include an example for each. Please don't use the same examples as in the text of this unit.